



Rock Rapids
Life, Balanced.

2020

CITY OF ROCK RAPIDS

Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings and
Questioned Costs

June 30, 2020

Prepared By:

De Noble, Austin & Company PC

121 South Story Street

Rock Rapids, Iowa 51246

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CITY OF ROCK RAPIDS

Officials
June 30, 2020

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------|---|--|
| Jason Chase | Mayor | January 1, 2022 |
| Cody Hoefert | Council Member | January 1, 2022 |
| Ed Reck | Council Member | January 1, 2022 |
| Scott Schneidermann | Council Member | December 12, 2019 (Resigned) |
| Tami Murray | Council Member | January 1, 2024 |
| Steve Wells | Council Member | January 1, 2024 |
| Rollie VanderLee | Council Member | January 1, 2024 (Appointed, January 13, 2020) |
| Jordan Kordahl | City Administrator, Clerk and Treasurer | Indefinite |
| Linda Trei | Deputy City Clerk | Indefinite |
| Geneva Grooters | Library Trustee | July 1, 2021 |
| Dean Shelly | Library Trustee | July 1, 2021 |
| Terry Tausz | Library Trustee | July 1, 2021 |
| Jessica Harman | Library Trustee | July 1, 2023 |
| Janine DeBruin | Library Trustee | July 1, 2023 |
| Peter Baudhuim | Library Trustee | July 1, 2025 |
| Shannen Struckman | Library Trustee | July 1, 2025 |
| Linda McCormack | Librarian | Indefinite |
| Doug Van't Hof | Airport Commissioner | June 1, 2021 |
| Mike Cleveringa | Airport Commissioner | June 1, 2023 |
| Craig Schneidermann | Airport Commissioner | June 1, 2025 |
| Jennifer Wippert | City Attorney | Indefinite (Appointed) |



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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Phone : (712) 472-2549 | Fax : (712) 472-2540 | Email : cpas@denoblepc.com

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the Basic Financial Statements of the City's primary government as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these primary government financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the primary government financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these primary government financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the primary government financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the primary government financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MEMBERS

American Institute - Certified Public Accountants | Private Companies Practice Section | Iowa Society - Certified Public Accountants

Opinions

The financial statements referred to above include only the primary government of the City of Rock Rapids, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles prepared on the basis of accounting described in Note 1 require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of the City of Rock Rapids, Iowa, as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these primary government financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Rock Rapids' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the primary government financial statements for the nine fiscal years ended June 30, 2019, (which are not presented herein) and expressed unmodified opinions on those primary government financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic primary government financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic primary government financial statements or to the basic primary government financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic primary government financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information for the primary government, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 11 and 30 through 34 has not been subjected to the auditing procedures applied in the audit of the basic primary government financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of the City of Rock Rapids' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rock Rapids' internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble, Austin & Company PC
Certified Public Accountants

February 22, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

The City of Rock Rapids provides this Management's Discussion and Analysis of its primary government financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's primary government financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 68.0%, or \$2,724,645, from fiscal year 2019 to fiscal year 2020. Capital grants, contributions and restricted interest increased \$530,365; capital loan note proceeds increased \$2,150,000.
- Disbursements of the City's governmental activities increased 29.7%, or \$1,346,077, in fiscal year 2020 from fiscal year 2019. Public works increased \$93,718; community and economic development increased \$91,585; capital projects increased \$1,151,050.
- The City's total cash basis net position increased by 19.8%, or \$856,826, from June 30, 2019 to June 30, 2020. This increase is the result of an increase of \$2,150,000 in capital note proceeds from the prior year. That increase is offset by an increase in capital disbursements of \$1,151,050.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic primary government financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position – Primary Government. This statement provides information about the activities of the City's primary government as a whole and presents an overall view of the City's finances.
- The Fund Financial Statement tells how governmental services were financed as well as what remains for future spending. The fund financial statement reports the City's primary government operations in more detail than the government-wide statement by providing information about the most significant primary government funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic primary government financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.
- Supplementary Information provides detailed information about the nonmajor governmental funds of the City's primary government and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements, and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position – Primary Government reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position – Primary Government presents the City's primary government net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position – Primary Government consists only of governmental activities. Business type activities, consisting of electric, water, wastewater, and gas, are conducted by the Rock Rapids Municipal Utilities and reported separately. Business type activities are financed primarily by user charges. The Rock Rapids Municipal Utilities also maintains a revolving loan fund accounted for as a governmental activity (the Utilities received a "Rural Economic Development Grant" to assist with the establishment of this fund). To obtain the financial information on the Municipal Utilities, please contact the Municipal Utilities office. A copy of the Municipal Utilities' audit report is available for the public's review.

Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Program receipts; property taxes; tax increment financing; and local option sales taxes finance most of these activities.

Fund Financial Statements

The primary government of the City of Rock Rapids uses governmental funds only. Proprietary funds are used to account for business type activities and, as noted above, are conducted by the Rock Rapids Municipal Utilities, which is reported separately.

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund; (2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Local Option Sales Tax, Urban Renewal Tax Increment, Revolving Loan and Library Memorial Trust; (3) the Debt Service Fund; (4) the Capital Projects Fund; and (5) the Permanent Funds, such as Library Endowment and Cemetery Perpetual Care. The governmental funds primary government financial statement provides a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Primary Government.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. Over the past year, the City's cash balance for primary government governmental activities decreased from \$4,334,402 to \$5,191,228. The analysis that follows focuses on changes in cash basis net position for governmental activities.

| Changes in Cash Basis of Net Position of Governmental Activities | | |
|---|---------------------|---------------------|
| | Year Ending June 30 | |
| | 2020 | 2019 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Service | \$ 544,222 | \$ 407,712 |
| Operating Grants, Contributions and Restricted Interest | 519,621 | 716,331 |
| Capital Grants, Contributions and Restricted Interest | 1,132,019 | 601,654 |
| General Receipts: | | |
| Property and Other City Tax | 1,384,255 | 1,391,076 |
| Tax Increment Financing | 263,843 | 240,387 |
| Local Option Sales Tax | 289,459 | 279,077 |
| Capital Loan Note Proceeds | 2,150,000 | 0 |
| Grants and Contributions Not Restricted to Specific Purpose | 149,035 | 175,612 |
| Unrestricted Investment Earnings | 36,267 | 38,928 |
| Rents | 21,984 | 22,807 |
| State Tax Replacement | 127,526 | 122,227 |
| Sale of Assets | 1,750 | 8,500 |
| Other Financing Sources (Bond Premium) | 108,975 | 0 |
| Total Receipts | \$ 6,728,956 | \$ 4,004,311 |
| Disbursements: | | |
| Public Safety | \$ 326,083 | \$ 389,791 |
| Public Works | 749,054 | 655,335 |
| Health and Social Services | 11,365 | 11,365 |
| Culture and Recreation | 615,478 | 586,052 |
| Community and Economic Development | 666,532 | 574,947 |
| General Government | 253,862 | 219,690 |
| Debt Service | 552,993 | 543,160 |
| Capital Projects | 2,696,763 | 1,545,713 |
| Total Disbursements | \$ 5,872,130 | \$ 4,526,053 |
| Change in Cash Basis Net Position | \$ 856,826 | \$ (521,742) |
| Cash Basis Net Position Beginning of Year | 4,334,402 | 4,856,144 |
| Cash Basis Net Position End of Year | \$ 5,191,228 | \$ 4,334,402 |

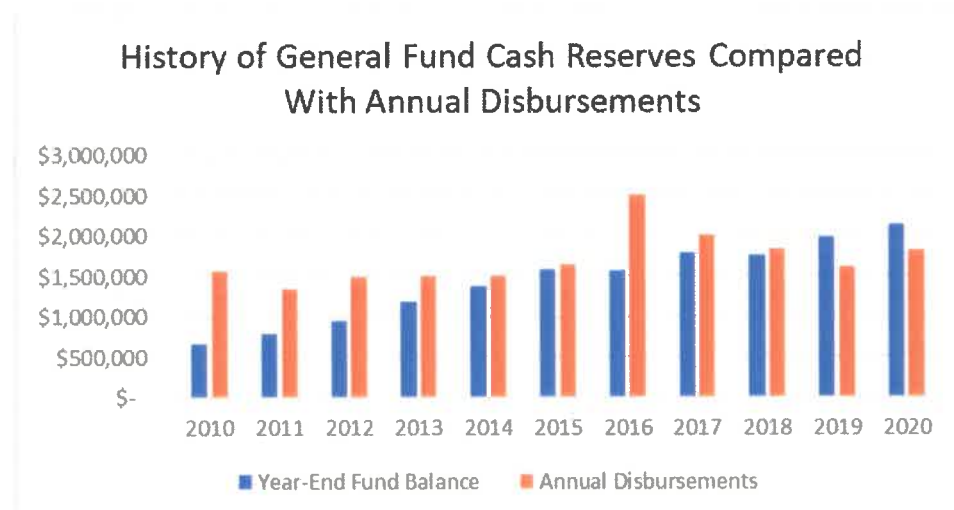
The City's total receipts for governmental activities this year was \$6,728,956, compared to \$4,004,311 last year, which is an increase of \$2,724,645, or 68.0%. The increase in receipts was mainly the result of increases of \$2,150,000 in capital note proceeds and of \$530,365 in capital grants, contributions, and restricted interest. The cost of all governmental activities this year was \$5,872,130, compared to \$4,526,053 last year, which is an increase of \$1,346,077, or 29.7%. The increase in disbursements was due to increases of \$93,718 in public works, \$91,585 in community and economic development, and \$1,151,050 in capital projects.

The amount taxpayers ultimately financed for these governmental activities was only \$3,676,268, because some of the cost was paid by those who directly benefited from the programs (\$544,222) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,651,640). The City paid for the remaining "public benefit" portion of governmental activities with other receipts such as property taxes, tax increment financing, local option sales tax, general grants and contributions, unrestricted investment earnings, rents, and state tax replacement.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Rock Rapids completed the year, its primary government governmental funds reported a combined cash balance of \$5,191,228, an increase of \$856,826 from last year's total of \$4,334,402. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$152,643, from \$1,981,399 to \$2,134,042, at June 30, 2020. This compares to a \$229,837 increase in the prior fiscal year. Receipts and other financing sources increased by \$125,108 from the prior year. Property and other city tax revenues increased from the prior year by \$68,465 due to a 7.3% increase in the general fund property tax rate, and special assessments increased by \$104,203 due to tax sale of real estate. These increases were offset by a decrease of \$40,938 in miscellaneous revenues. Disbursements and other financing uses increased by \$202,302 from the prior fiscal year due primarily to a \$173,176 increase in community and economic development.



- The Road Use Tax Fund decreased by \$18,855, from \$813,405 to \$794,550 at June 30, 2020. This compares with a \$226,349 increase in the prior fiscal year. Receipts and other financing sources decreased by \$181,907 due to a decrease of \$228,324 in federal and state disaster funding. That decrease was offset by an increase of \$37,980 in private contributions. Disbursements and other financing uses increased by \$63,297 due to an increase of \$82,782 for equipment replacement. That increase was offset by a decrease of \$19,485 for costs of operation and maintenance.
- The Employee Benefits Fund decreased by \$68,993, from \$197,531 to \$128,538, at June 30, 2020. This compares with a \$22,306 decrease in the prior fiscal year. Receipts and other financing sources decreased by \$43,257 due to a 26.1% decrease in the employee benefits property tax rate.

- The Debt Service Fund decreased by \$67,855, from \$104,326 to \$36,471, at June 30, 2020. This compares with a \$17,591 decrease in the prior fiscal year. Receipts and other financing sources decreased by \$40,431 due to an 8.2% decrease in the debt service property tax rate.
- The Capital Projects Fund increased by \$799,199, from \$555,464 to \$1,354,663, at June 30, 2020. This compares with a decrease of \$899,593 in the prior fiscal year. Receipts and other financing sources increased by \$2,866,789 due to increases of \$2,150,000 in capital loan note proceeds and \$743,310 in federal grant funding for a bridge replacement project. Disbursements and other financing uses increased by \$1,167,998 due primarily to increases of \$960,764 for TIF projects and \$190,286 for non-TIF projects.

BUDGETARY HIGHLIGHTS

The City amended its portion of the certified budget once during the 2020 fiscal year. Actual receipts came in \$411,372, or 5.8%, below budget for the City's portion of the amended budget. Intergovernmental receipts came in \$315,403, or 15.6%, below budget due to having budgeted for the following: (a) federal grant funding that came in below budget for capital projects that either remain in progress or have not yet materialized; (b) receipts for the Municipal Housing Agency, a separate legal entity, for which the City budget includes an estimate of possible intergovernmental receipts. Special assessments came in \$143,593, or 410.3%, above budget due to payments in full for a recently completed special assessment project coming in higher than anticipated. Miscellaneous receipts came in \$257,676, or 53.9%, below budget due to private contributions coming in below budget and having budgeted for intra-fund transfers.

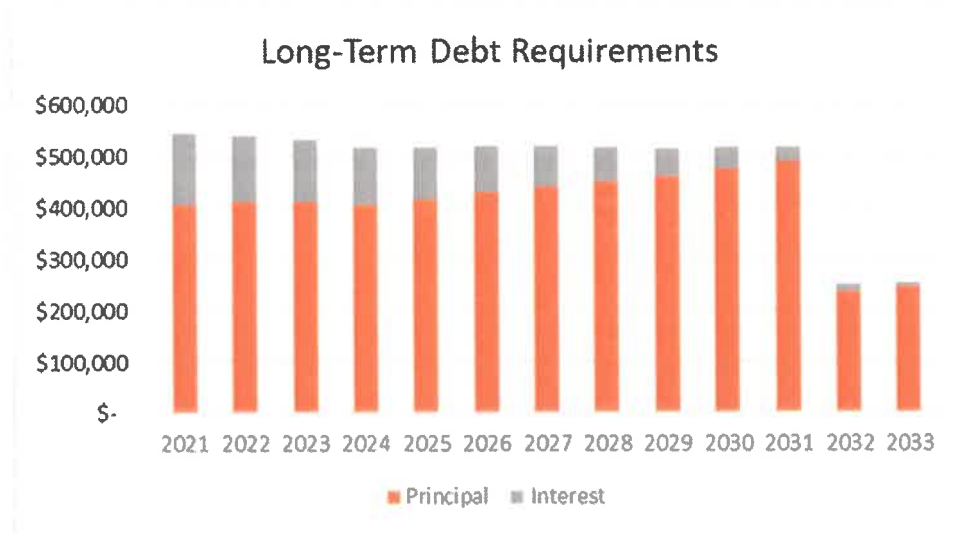
Disbursements came in \$1,880,945, or 24.3%, below budget. All functions came in below budget for the City's portion of the amended budget. Disbursements for public safety came in \$261,180, or 44.5%, below budget due to having budgeted for an intra-fund transfer and for purchase of fire equipment that has not yet materialized. Disbursement for public works came in \$146,493, or 16.4%, below budget due to operating costs for street maintenance, airport operations and storm sewer coming in lower than anticipated. Disbursements for culture and recreation came in \$185,453, or 23.2%, below budget due to the following reasons: (a) having budgeted for capital expenditures in Library and Cemetery that did not materialize; (b) operating costs for park and pool operations coming in lower than anticipated; (c) having budgeted for an intra-fund transfer. Disbursements for community and economic development came in \$524,154, or 44.0%, below budget due primarily to having budgeted for the following: (a) disbursements for the Municipal Housing Agency, a separate legal entity, for which the City budget includes an estimate for possible intergovernmental receipts and related disbursements; (b) economic development projects that did not materialize. Disbursements for capital projects came in \$672,338, or 20.0%, below budget due to having budgeted for capital projects that either remain in progress or have not yet materialized. The net cash change for the fiscal year came in \$1,469,572 higher than budgeted for the City's portion of the amended budget.

DEBT ADMINISTRATION

At June 30, 2020 the City owed \$5,270,000 in notes and other long-term debt, compared to \$3,530,000 last year, as shown below:

| | Outstanding Debt at Year-End | |
|---------------------------------------|------------------------------|--------------|
| | June 30, | |
| | 2020 | 2019 |
| General Obligation Capital Loan Notes | \$ 5,270,000 | \$ 3,530,000 |
| Community Disaster Loan | 0 | 0 |
| Total | \$ 5,270,000 | \$ 3,530,000 |

During fiscal year 2020, the City Council issued \$2,150,000 in general obligation capital loan notes to finance street and sanitary sewer improvement projects and for purchase of fire equipment.

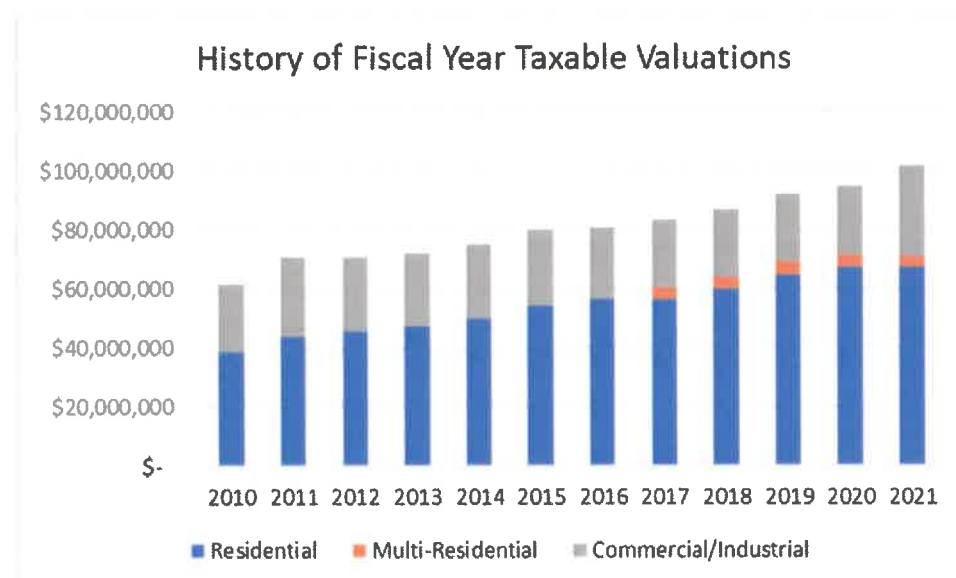


The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,270,000 is adequately below its constitutional debt limit of \$7,607,020.

More detailed information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Building permits for new construction issued during calendar year 2019 listed estimated costs at \$1.3 million for residential property and \$4.6 million for commercial/industrial property. This amounts to decreases from \$1.5 million for residential property and from \$5.1 million for commercial/industrial property during the previous year. Included in the building permits for commercial/industrial property is an expansion project for DGR Engineering, which accounted for \$3.9 million of the total.



Total taxable valuation (excluding agricultural) increased by 7.4%, to \$101.4 million, from the previous year. This increase, which compares with the previous year increase of 3.0% and average annual increases of 4.5% for the previous 10 years, is offset by a 3.98% reduction in the total tax levy rate on regular property, to \$16.00 per \$1,000 of taxable valuation, resulting in a net projected decrease of \$1,684 in total property tax revenues.

Taxable retail sales during fiscal year 2019 totaled \$32,946,084, which is an increase of 1,654,973, or 5.3%, from the previous year. This compares with the previous year increase of \$352,573, or 1.1%, from the prior year. Rock Rapids presently accounts for 30.6% of totals for Lyon County, which is a decrease from 32.3% during the previous year.

Excluding capital projects, the fiscal year 2021 budget provides for a cash decrease of \$824,496, or 17.0% of budgeted non-capital disbursements. However, as a result of budget surpluses that have accumulated in recent years, the City is projected to maintain operating cash reserves of approximately \$2.37 million, or 48.8% of budgeted non-capital disbursements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Rock Rapids' finances and to demonstrate the City's accountability for the money it receives. Questions about this report or requests for addition financial information should be addressed to: Jordan Kordahl, City Administrator, 310 South 3rd Avenue, Rock Rapids, Iowa 51246.

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Basic Primary Government Financial Statements

City of Rock Rapids

CITY OF ROCK RAPIDS
Basic Primary Government Financial Statements

Exhibit A – Statement of Activities and Net Position – Cash Basis
Primary Government
As of and for the Year Ended June 30, 2020

| | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Position |
|------------------------------------|------------------|------------------------|---|--|--|
| | Disbursements | Charges for Service | Operating Grants, Contributions and Restricted Interest | | |
| | | | Contributions and Restricted Interest | Capital Grants Contributions and Restricted Interest | |
| | | | | | |
| Functions/Programs: | | | | | |
| Governmental Activities: | | | | | |
| Public Safety | \$ 326,083 | 0 | 77,231 | 0 | (248,852) |
| Public Works | 749,054 | 240,292 | 364,708 | 0 | (144,054) |
| Health and Social Services | 11,365 | 0 | 0 | 0 | (11,365) |
| Culture and Recreation | 615,478 | 88,764 | 39,169 | 0 | (487,545) |
| Community and Economic Development | 666,532 | 32,497 | 23,377 | 0 | (610,658) |
| General Government | 253,862 | 110,721 | 11,485 | 0 | (131,656) |
| Debt Service | 552,993 | 14,943 | 3,651 | 0 | (534,399) |
| Capital Projects | 2,696,763 | 57,005 | 0 | 1,132,019 | (1,507,739) |
| Total Governmental Activities | \$ 5,872,130 | 544,222 | 519,621 | 1,132,019 | (3,676,268) |

General Receipts:

Property and Other City Tax Levied for:

| | |
|---|------------|
| General Purposes | \$ 819,955 |
| Employee Benefits | 130,648 |
| Debt Service | 433,652 |
| Tax Increment Financing | 263,843 |
| Local Option Sales Tax | 289,459 |
| Business Tax Credits | 127,526 |
| Grants and Contributions not Restricted to Specific Purpose | 149,035 |
| Unrestricted Interest on Investments | 36,267 |
| Rents | 21,984 |
| Sale of Capital Assets | 1,750 |
| Capital Loan Note Proceeds | 2,150,000 |
| Other Financing Sources (Bond Premium) | 108,975 |

Total General Receipts

4,533,094

Change in Cash Basis Net Position

856,826

Cash Basis Net Position Beginning of Year

4,334,402

Cash Basis Net Position End of Year

\$ 5,191,228**Total Cash Basis Net Position**

Restricted:

Nonexpendable - Library Endowment & Cemetery Perpetual Care

\$ 110,204

Expendable -

Road Use Tax (Streets)

794,550

Library Projects

372,080

Debt Service

36,471

Capital Projects

1,354,663

Other Purposes

389,218

Unrestricted

2,134,042**Total Cash Basis Net Position**\$ 5,191,228

See Notes to Financial Statements

CITY OF ROCK RAPIDS

Basic Primary Government Financial Statements

Exhibit B – Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Primary Government

As of and for the Year Ended June 30, 2020

| | General | Special Revenue | | | | Debt Service | Capital Projects | Nonmajor Governmental | | Total |
|------------------------------------|------------|-----------------|------------------------|---|---------|--------------|------------------|-----------------------|---|-----------|
| | | Road Use Tax | Library Memorial Trust | | | | | Funds | | |
| Receipts: | | | | | | | | | | |
| Property Tax | \$ 818,597 | 0 | 0 | 0 | 432,811 | 0 | 0 | 130,432 | 0 | 1,381,840 |
| Tax Increment Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 263,843 | 0 | 263,843 |
| Other City Tax | 1,358 | 0 | 0 | 0 | 841 | 0 | 0 | 289,675 | 0 | 291,874 |
| Licenses and Permits | 14,254 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,254 |
| Use of Money and Property | 59,848 | 526 | 5,750 | 0 | 3,651 | 17,007 | 0 | 4,762 | 0 | 91,544 |
| Intergovernmental | 260,562 | 328,218 | 0 | 0 | 32,892 | 1,049,138 | 0 | 35,161 | 0 | 1,705,971 |
| Charges for Service | 321,938 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 321,938 |
| Special Assessments | 104,203 | 2,442 | 0 | 0 | 14,943 | 57,005 | 0 | 0 | 0 | 178,593 |
| Miscellaneous | 91,125 | 36,525 | 4,020 | 0 | 0 | 65,875 | 0 | 20,829 | 0 | 218,374 |
| Total Receipts | 1,671,885 | 367,711 | 9,770 | 0 | 485,138 | 1,189,025 | 0 | 744,702 | 0 | 4,468,231 |
| Disbursements: | | | | | | | | | | |
| Operating: | | | | | | | | | | |
| Public Safety | 323,478 | 0 | 0 | 0 | 0 | 0 | 0 | 2,605 | 0 | 326,083 |
| Public Works | 272,245 | 411,649 | 0 | 0 | 0 | 0 | 0 | 65,160 | 0 | 749,054 |
| Health and Social Services | 11,365 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,365 |
| Culture and Recreation | 554,974 | 0 | 36 | 0 | 0 | 0 | 0 | 60,468 | 0 | 615,478 |
| Community and Economic Development | 439,142 | 0 | 0 | 0 | 0 | 0 | 0 | 227,390 | 0 | 666,532 |
| General Government | 217,205 | 0 | 0 | 0 | 0 | 0 | 0 | 36,657 | 0 | 253,862 |
| Debt Service | 0 | 0 | 0 | 0 | 552,993 | 0 | 0 | 0 | 0 | 552,993 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 | 2,696,763 | 0 | 0 | 0 | 2,696,763 |
| Total Disbursements | 1,818,409 | 411,649 | 36 | 0 | 552,993 | 2,696,763 | 0 | 392,280 | 0 | 5,872,130 |

| | | | | | | | |
|---|--------------|----------|---------|----------|-------------|-----------|-------------|
| Excess (Deficiency) of Receipts Over (Under) Disbursements | (146,524) | (43,938) | 9,734 | (67,855) | (1,507,738) | 352,422 | (1,403,899) |
| Other Financing Sources (Uses): | | | | | | | |
| Sale of Capital Assets | 0 | 1,750 | 0 | 0 | 0 | 0 | 1,750 |
| Capital Loan Note Proceeds | 0 | 0 | 0 | 0 | 2,150,000 | 0 | 2,150,000 |
| Capital Loan Note Bond Premium | 0 | 0 | 0 | 0 | 108,975 | 0 | 108,975 |
| Operating Transfers In | 299,167 | 23,333 | 0 | 0 | 74,198 | 2,904 | 399,602 |
| Operating Transfers Out | 0 | 0 | 0 | 0 | (26,236) | (373,366) | (399,602) |
| Total Other Financing Sources (Uses) | 299,167 | 25,083 | 0 | 0 | 2,306,937 | (370,462) | 2,260,725 |
| Net Change in Cash Balances | 152,643 | (18,855) | 9,734 | (67,855) | 799,199 | (18,040) | 856,826 |
| Cash Balances Beginning of Year | 1,981,399 | 813,405 | 362,346 | 104,326 | 555,464 | 517,462 | 4,334,402 |
| Cash Balances End of Year | \$ 2,134,042 | 794,550 | 372,080 | 36,471 | 1,354,663 | 499,422 | 5,191,228 |
| Cash Basis Fund Balances | | | | | | | |
| Nonspendable - Library Endowment & Cemetery Perpetual Care | \$ 0 | 0 | 0 | 0 | 0 | 110,204 | 110,204 |
| Restricted for: | | | | | | | |
| Road Use Tax (Streets) | 0 | 794,550 | 0 | 0 | 0 | 0 | 794,550 |
| Library Projects | 0 | 0 | 372,080 | 0 | 0 | 0 | 372,080 |
| Debt Service | 0 | 0 | 0 | 36,471 | 0 | 0 | 36,471 |
| Capital Projects | 0 | 0 | 0 | 0 | 1,354,663 | 0 | 1,354,663 |
| Other Purposes | 0 | 0 | 0 | 0 | 0 | 389,218 | 389,218 |
| Committed | 103,425 | 0 | 0 | 0 | 0 | 0 | 103,425 |
| Assigned | 1,233,592 | 0 | 0 | 0 | 0 | 0 | 1,233,592 |
| Unassigned | 797,025 | 0 | 0 | 0 | 0 | 0 | 797,025 |
| Total Cash Basis Fund Balances | \$ 2,134,042 | 794,550 | 372,080 | 36,471 | 1,354,663 | 499,422 | 5,191,228 |

See Notes to Financial Statements.

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CITY OF ROCK RAPIDS

Notes to Financial Statements

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies

The City of Rock Rapids is a political subdivision of the State of Iowa located in Lyon County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities of the primary government. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Rock Rapids (the primary government). As noted in the Independent Auditor's Report, the component units discussed below are not included in the financial statements. The primary government financial statements, because they do not include the financial data of the component units of the City of Rock Rapids, do not purport to, and do not present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2020, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described here in Note 1.

Component Units – If it were not for the City preparing financial statements of the primary government only, the Rock Rapids Municipal Utilities and the Rock Rapids Municipal Housing Agency would be included as part of the City's reporting entity because of the significance of each organization's operational or financial relationship with the City. The Rock Rapids Municipal Utilities and the Rock Rapids Municipal Housing Agency would be presented as discretely presented component units in a separate column in the Statement of Activities and Net Position – Cash Basis to emphasize that each is legally separate from the City, but are financially accountable to the City, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City Council and the Municipal Utilities operating budget is approved by the City Council. To obtain the financial information on the Municipal Utilities, please contact the Municipal Utilities' office. A copy of the Municipal Utilities' audit report is available for the public's review. The Rock Rapids Municipal Housing Agency is governed by a five-member board appointed by the Mayor and City Council and the City has the ability to impose its will on the Housing Agency by influencing the programs, projects, activities and level of services performed/provided by the Housing Agency. To obtain financial information on the Housing Agency, please contact the Chamber of Commerce/Municipal Housing office.

The City received \$103,873 from the Rock Rapids Municipal Utilities during the fiscal year ended June 30, 2020 (\$98,593 in intergovernmental receipts and \$5,280 in charges for service). The intergovernmental receipts from the Rock Rapids Municipal Utilities consisted of \$100,138 of donations and \$3,735 for the Utilities share of the residential demolition program. Additionally, the Rock Rapids Municipal Utilities reimbursed the City \$208,951 for costs related to the sewer lining project. The City paid the Rock Rapids Municipal Utilities \$5,000 for rent

and \$11,810 for garbage/recycling billing and collection services. The City also pays the Utilities for utility services and both entities charge each other for any occasional labor and materials provided to each other. The City received \$10,123 in intergovernmental receipts (payment in lieu of taxes) from the Rock Rapids Municipal Housing Agency during the fiscal year ended June 30, 2020. The City did not pay any money to the Rock Rapids Municipal Housing Agency during the fiscal year ended June 30, 2020.

Jointly Governed Organizations – The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Joint E911 Service Board, Lyon County Emergency Management Commission, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, the Northwest Iowa Regional Housing Authority, the Rock Rapids Development Corporation, the Rock Rapids Chamber of Commerce, and the Hazardous Material Response Commission (HAZMAT).

B. Basis of Presentation

Government-Wide Financial Statement – The Cash Basis Statement of Activities and Net Position – Primary Government reports information on all of the nonfiduciary activities of the City's primary government. For the most part, the effect of interfund activity has been removed from this statement. This financial statement reports governmental activities which are supported to a significant extent by tax and intergovernmental revenues.

The Cash Basis Statement of Activities and Net Position – Primary Government presents the City's primary government nonfiduciary net position. Net position is reported in the following categories/components:

- *Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds (the Library Endowment and Cemetery Perpetual Care Funds).
- *Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position – Primary Government demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statement – A separate financial statement is provided for the primary government governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

- **Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Library Memorial Trust Fund is used to account for library projects financed by donations and investment income.

- The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.
- The Capital Projects Fund is utilized to account for all resources used in the acquisition and/or construction of major capital equipment and facilities for the City.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

- **Nonspendable** – Amounts which cannot be spent because they are legally or contractually required to be maintained intact (the City's Permanent Funds).
- **Restricted** – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation (the City's Special Revenue, Debt Service and Capital Projects Funds).
- **Committed** – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Council through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same action it employed to commit those amounts (General Fund : Library purposes - \$103,425).
- **Assigned** – Amounts the Council intends to use for specific purposes (General Fund: Community Center Purposes - \$198,956, Park Improvement Purposes - \$147,212, Fire Department Purposes - \$610,925, Airport Purposes - \$53,244, Lyon County Riverboat Foundation Receipts for Special Projects - \$123,255 and Trees Purposes - \$100,000).
- **Unassigned** – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements for the City of Rock Rapids only portion of the budget did not exceed the amounts budgeted in any function.

Note 2: Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3: Notes Receivable - Revolving Loan Fund

The City established a Revolving Loan Fund for the purpose of lending monies for various economic development projects at a reasonable rate of interest to promote economic development within the City.

The notes issued are payable over ten years at a rate ranging from 3.25% to 4.5%, with an adjustable rate to be determined after five years based on the Wall Street prime interest rate plus 0.25%. The balances as of June 30, 2020, are computed as follows:

| | |
|--------------------------|-------------------|
| Balance on June 30, 2019 | \$ 128,840 |
| New Notes Issued | 0 |
| Payments on Principal | (19,768) |
| Balance on June 30, 2020 | <u>\$ 109,072</u> |

The following are the scheduled amounts of notes receivable principal (net of \$0 in allowance for doubtful accounts) coming due for the fiscal years ending:

| <u>Fiscal Year Ended June 30:</u> | <u>Principal Payments</u> |
|-----------------------------------|-------------------------------|
| 2021 | \$ 18,790 |
| 2022 | 15,073 |
| 2023 | 12,722 |
| 2024 | 11,268 |
| 2025 | 11,617 |
| 2026-2029 | <u>39,602</u> |
| Total | <u>\$ 109,072</u> |

Interest received on the notes receivable was \$3,373 during fiscal year June 30, 2020.

Note 4: Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes are as follows:

| Fiscal Year Ended June 30, | General Obligation Capital Loan Notes | Interest | Total |
|-------------------------------|---|----------|-----------|
| 2021 | \$ 405,000 | 139,400 | 544,400 |
| 2022 | 410,000 | 131,300 | 541,300 |
| 2023 | 410,000 | 122,700 | 532,700 |
| 2024 | 405,000 | 113,800 | 518,800 |
| 2025 | 415,000 | 102,725 | 517,725 |
| 2026 – 2030 | 2,255,000 | 336,625 | 2,591,625 |
| 2031 – 2033 | 970,000 | 50,850 | 1,020,850 |
| Total | \$ 5,270,000 | 997,400 | 6,267,400 |

During the fiscal year ended June 30, 2020, the City issued a \$2,150,000 general obligation capital loan note in the Capital Projects Fund to pay for essential corporate purposes to include: improvements to right-of-way of streets, etc; removal and replacement of dead/diseased trees; street improvements; bridge repair; sidewalks, culverts, sewers, water lines, lighting and traffic control repair or installation; purchase of real estate for any such projects; and the purchase of fire equipment. The general obligation capital loan note was issued at a net premium of \$108,975.

During the fiscal year ended June 30, 2020, the City redeemed principal on general obligation capital loan notes of \$410,000, paid \$140,193 in interest on the long-term debt, and paid \$1,000 in note fees. The general obligation capital loan notes were redeemed through the Debt Service Fund in the fiscal year ended June 30, 2020.

Due to the primary government financial statements being prepared on the cash basis, these notes payable are not reflected on the City's financial statements.

Note 5: Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. The City's contributions to IPERS for the year ended June 30, 2019 were \$57,878.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$466,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.008001%, which was a decrease of (0.000016%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City's pension expense, deferred outflows and deferred inflows totaled \$85,796, \$73,300, and \$91,377 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

| | |
|--|--|
| Rate of Inflation (Effective June 30, 2017) | 2.60% per Annum |
| Rates of Salary Increase (Effective June 30, 2017) | 3.25 to 16.25%, Average, Including Inflation Rates Vary by Membership Group |
| Long-term Investment Rate of Return (Effective June 30, 2017) | 7.00%, Compounded Annually, Net of Investment Expense, Including Inflation |
| Wage Growth (Effective June 30, 2017) | 3.25% per Annum, Based on 2.60% Inflation And 0.65% Real Wage Inflation |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|-------------------------|---|
| Domestic Equity | 22.0% | 5.60% |
| International Equity | 15.0 | 6.08 |
| Global Smart Beta Equity | 3.0 | 5.82 |
| Core Plus Fixed Income | 27.0 | 1.71 |
| Public Credit | 3.5 | 3.32 |
| Public Real Assets | 7.0 | 2.81 |
| Cash | 1.0 | (0.21) |
| Private Equity | 11.0 | 10.13 |
| Private Real Assets | 7.5 | 4.76 |
| Private Credit | 3.0 | 3.01 |
| Total | 100.0% | |

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|--------------------------------|----------------------------------|--------------------------------|
| County's Proportionate Share of the Net Pension Liability | \$ 828,189 | 466,408 | 162,949 |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 6: Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$528 for single coverage and \$1,321 for family coverage. For the year ended June 30, 2020, the City contributed \$77,089 and plan members eligible for benefits contributed \$20,583 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, there were 11 active employees covered by the benefits terms and 1 inactive employees or beneficiaries currently receiving benefit payments.

Note 7: Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2020, primarily relating to the General and Road Use Tax Funds, is as follows:

| Type of Benefit | Amount |
|-----------------|------------------|
| Vacation | \$ 64,035 |
| Sick Leave | 21,872 |
| Total | \$ 85,872 |

All of an employee's vacation is paid upon retirement, termination or death. If an employee, except a Library employee, has ten or more years of service with the City, 15% of sick leave is paid upon retirement, termination or death. No sick leave is paid upon retirement, termination or death for Library employees. The amount of sick leave reported above only includes the sick leave for eligible employees that have attained the ten years or more of service requirement. This liability has been computed based on rates of pay in effect at June 30, 2020.

Note 8: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

| Transfer to | Transfer from | Amount |
|-------------------|-----------------------------|-------------------|
| General | Special Revenue: | |
| | Local Option Sales Tax | \$ 280,000 |
| | Urban Renewal Tax Increment | 19,167 |
| Special Revenue: | Special Revenue: | |
| Road Use Tax | Capital Projects | 23,333 |
| Employee Benefits | Capital Projects | 2,904 |
| Capital Projects | Urban Renewal Tax Increment | 74,198 |
| Total | | \$ 399,602 |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 9: Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are mainly covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Intergovernmental Agreement

The City has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the City. There were no payments made directly to the Northwest Iowa Area Solid Waste Agency by the City during the fiscal year ended June 30, 2020.

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post closure costs to the Agency have been estimated at \$3,596,365 as of June 30, 2020, and the portion of the liability that has been recognized by the Agency as of June 30, 2020, is \$3,229,577.

The estimated remaining life of the landfill is 2 years and the capacity used at June 30, 2020, is approximately 95%. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2020, assets of \$2,033,370 are restricted for these purposes. The Agency has fully demonstrated financial assurance for closure and post closure care costs as required by Chapter 113 of the Iowa Administrative Code. No estimate has been made as to the possibility of any future assessments to the City.

Note 11: Development Agreement

The City entered into an agreement for private development with the Rock Rapids Development Corporation, Inc. (the RRDC). The agreement proposed the City will transfer development property to the RRDC for the aggregate purchase price of \$40,000, with payment due in full by June 30, 2024. The property is eligible to be redeveloped as part of the Forster Urban Renewal Area. The RRDC agrees to construct minimum improvements and certain public improvements to the area. In return, the City will make economic development grants to RRDC for 66.16% of the tax increments generated by the construction of the minimum improvements. The tax increment collections received and rebated to the RRDC will be used as payment to pay off the outstanding balance due for the property purchase.

Note 12: Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$65,947 of property was diverted from the City under the urban renewal and economic development projects.

Note 13: Commitments

In March 2019, the City entered into a construction contract with Christensen Bros Inc for \$1,479,506 for North Union Street Bridge project to be paid from the Capital Projects Fund. As of June 30, 2020, the total amount paid from the Capital Projects Fund was \$1,221,823. Payments will be made after fiscal year 2020 as work on the project progresses.

In May 2019, the City entered into a contract with Hulstein Excavating for the South 10th Avenue Road Project for \$507,480 to be paid from the Capital Projects Fund. As of June 30, 2020, the total amount paid from the Capital Projects Fund was \$409,848. Payments will be made after fiscal year 2020 as work on the project progresses.

In July 2019, the City entered into a contract with Vander Pol Excavating for the 2nd Avenue Paving and Utilities Project for \$800,867 to be paid from the Capital Projects Fund. As of June 30, 2020, the total amount paid from the Capital Projects Fund was \$268,469. Payments will be made after fiscal year 2020 as work on the project progresses.

Note 14: Subsequent Events

In January 2021, the Council approved a contribution of \$104,043 from the General Fund to the Rock Rapids Development Corporation to assist with redevelopment activities within the blighted urban renewal area.

In January 2021, the Council authorized a loan from the Revolving Loan Fund in the amount of \$27,000 payable over 7 years at 2.5 percent fixed rate.

Other Information

City of Rock Rapids

CITY OF ROCK RAPIDS

Other Information

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Year Ended June 30, 2020

| | Governmental Funds Actual | Budgeted Amounts Original | Budgeted Amounts Final | Final to Actual Variance |
|---|------------------------------|---------------------------------|---------------------------|-----------------------------|
| Receipts: | | | | |
| Property Tax | \$ 1,381,840 | 1,456,392 | 1,456,392 | (74,552) |
| Tax Increment Financing | 263,843 | 310,968 | 310,968 | (47,125) |
| Other City Tax | 291,874 | 280,024 | 280,024 | 11,850 |
| Licenses and Permits | 14,254 | 10,000 | 10,000 | 4,254 |
| Use of Money and Property | 91,544 | 55,400 | 55,400 | 36,144 |
| Intergovernmental | 1,705,971 | 2,021,374 | 2,021,374 | (315,403) |
| Charges for Service | 321,938 | 343,370 | 343,370 | (21,432) |
| Special Assessments | 178,593 | 35,000 | 35,000 | 143,593 |
| Miscellaneous | 218,374 | 477,800 | 477,800 | (259,426) |
| Total Receipts | 4,468,231 | 4,990,328 | 4,990,328 | (522,097) |
| Disbursements: | | | | |
| Public Safety | 326,083 | 587,264 | 587,264 | (261,181) |
| Public Works | 749,054 | 855,546 | 895,546 | (146,492) |
| Health and Social Services | 11,365 | 21,000 | 21,000 | (9,635) |
| Culture and Recreation | 615,478 | 800,930 | 800,930 | (185,452) |
| Community and Economic Development | 666,532 | 890,686 | 1,190,686 | (524,154) |
| General Government | 253,862 | 324,921 | 324,921 | (71,059) |
| Debt Service | 552,993 | 563,626 | 563,626 | (10,633) |
| Capital Projects | 2,696,763 | 3,109,101 | 3,369,101 | (672,338) |
| Total Disbursements | 5,872,130 | 7,153,074 | 7,753,074 | (1,880,944) |
| Excess (Deficiency) of Receipts Under (Over) Disbursements | (1,403,899) | (2,162,746) | (2,762,746) | (1,358,847) |
| Other Financing Sources (Uses) | 2,260,725 | 2,150,000 | 2,150,000 | 110,725 |
| Net Change in Cash Balances | 856,826 | (12,746) | (612,746) | 1,469,572 |
| Balances Beginning of Year | 4,334,402 | 4,130,704 | 4,130,704 | 203,698 |
| Balances End of Year | \$ 5,191,228 | 4,117,958 | 3,517,958 | 1,673,270 |

- Note: These figures do not reflect amounts included in the City's legally adopted budget for the Rock Rapids Municipal Utilities, which is a component unit that was audited separately. The amounts that were removed for the Rock Rapids Municipal Utilities from the original budget included \$5,061,367 in receipts (charges for services) and \$5,393,379 in disbursements (business-type activities).

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS

Other Information

Notes to Other Information – Budgetary Reporting Year Ended June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds (which there are none) for the City of Rock Rapids. The City's adopted budget includes the Rock Rapids Municipal Utilities, which is a legally separate component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the fiscal year, there was one amendment to the City's original budget which increased budgeted disbursements by \$600,000.

The Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds – Primary Government does not reflect the amounts included in the City's budget for the Rock Rapids Municipal Utilities. Please see the Rock Rapids Municipal Utilities audit report for information concerning budget to actual figures for the Municipal Utilities.

During the year ended June 30, 2020, disbursements did not exceed the amount budgeted for any function.

Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
 Last Six Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------|-----------|------------|------------|------------|------------|
| City's Proportion of the Net Pension Liability | 0.008001% | 0.008017% | 0.0078947% | 0.0078600% | 0.0077365% | 0.0074833% |
| City's Proportionate Share of the Net Pension Liability | \$ 466,408 | 507,164 | 525,889 | 494,652 | 382,223 | 296,780 |
| City's Covered Payroll | \$ 710,889 | 679,513 | 651,392 | 627,176 | 617,106 | 622,865 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll | 65.61% | 74.64% | 80.73% | 78.87% | 61.94% | 47.65% |
| IPERS' Net Position as a Percentage of the Total Pension Liability | 85.45% | 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

CITY OF ROCK RAPIDS
Other Information

Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Fiscal Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Statutorily Required Contribution | \$ 57,865 | 57,878 | 53,790 | 52,625 | 50,371 | 49,558 | 51,317 | 48,349 | 42,964 | 32,253 | 29,743 |
| Contributions in Relation to the Statutorily Required Contribution | (57,865) | (57,878) | (53,790) | (52,625) | (50,371) | (49,558) | (51,317) | (48,349) | (42,964) | (32,253) | (29,743) |
| Contribution Deficiency (Excess) | \$ 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| City Covered Employee Payroll | \$ 734,903 | 710,889 | 679,513 | 651,392 | 627,176 | 617,106 | 622,865 | 616,253 | 598,823 | 510,457 | 491,409 |
| Contributions as a Percentage of Covered Employee Payroll | 7.87% | 8.14% | 7.92% | 8.08% | 8.03% | 8.03% | 8.24% | 7.85% | 7.17% | 6.32% | 6.05% |

See Accompanying Independent Auditor's Report.

Notes to Other Information – Pension Liability
Year Ended June 30, 2019

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.5% per year.
- Decreased the discount rate from 7.5% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Supplementary Information

City of Rock Rapids

CITY OF ROCK RAPIDS
Supplementary Information

**Schedule 1 – Schedule of Cash Receipts, Disbursements, and Changes in
Cash Balances Nonmajor Governmental Funds – Primary Government**
As of and For the Year Ended June 30, 2020

| | Special Revenue | | | | Permanent | | |
|--|-------------------|------------------------|-----------------------------|---------------------|-------------------|-------------------------|-----------------|
| | Employee Benefits | Local Option Sales Tax | Urban Renewal Tax Increment | Revolving Loan Fund | Library Endowment | Cemetery Perpetual Care | Total |
| Receipts: | | | | | | | |
| Property Tax | \$ 130,432 | 0 | 0 | 0 | 0 | 0 | 130,432 |
| Tax Increment Financing | 0 | 0 | 263,843 | 0 | 0 | 0 | 263,843 |
| Other City Tax | 216 | 289,459 | 0 | 0 | 0 | 0 | 289,675 |
| Use of Money and Property | 0 | 0 | 0 | 4,762 | 0 | 0 | 4,762 |
| Intergovernmental | 9,475 | 0 | 25,686 | 0 | 0 | 0 | 35,161 |
| Miscellaneous | 0 | 0 | 0 | 19,768 | 0 | 1,061 | 20,829 |
| Total Receipts | 140,123 | 289,459 | 289,529 | 24,530 | 0 | 1,061 | 744,702 |
| Disbursements: | | | | | | | |
| Operating: | | | | | | | |
| Public Safety | 2,605 | 0 | 0 | 0 | 0 | 0 | 2,605 |
| Public Works | 65,160 | 0 | 0 | 0 | 0 | 0 | 65,160 |
| Culture and Recreation | 60,468 | 0 | 0 | 0 | 0 | 0 | 60,468 |
| Community and Economic Development | 47,130 | 0 | 180,260 | 0 | 0 | 0 | 227,390 |
| General Government | 36,657 | 0 | 0 | 0 | 0 | 0 | 36,657 |
| Total Disbursements | 212,020 | 0 | 180,260 | 0 | 0 | 0 | 392,280 |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | (71,897) | 289,459 | 109,269 | 24,530 | 0 | 1,061 | 352,422 |
| Other Financing Uses: | | | | | | | |
| Operating Transfers In | 2,904 | 0 | 0 | 0 | 0 | 0 | 2,904 |
| Operating Transfers Out | 0 | (280,000) | (93,366) | 0 | 0 | 0 | (373,366) |
| Net Change in Cash Balances | (68,993) | 9,459 | 15,903 | 24,530 | 0 | 1,061 | (18,040) |
| Cash Balances Beginning of Year | 197,531 | 2,165 | 45,439 | 163,184 | 2,000 | 107,143 | 517,462 |
| Cash Balances End of Year | \$ 128,538 | 11,624 | 61,342 | 187,714 | 2,000 | 108,204 | 499,422 |
| Cash Basis Fund Balances | | | | | | | |
| Nonspendable: Library Endowment & Cemetery Perpetual Care | \$ 0 | 0 | 0 | 0 | 2,000 | 108,204 | 110,204 |
| Restricted for: | | | | | | | |
| Other Purposes | 128,538 | 11,624 | 61,342 | 187,714 | 0 | 0 | 389,218 |
| Total Cash Basis Fund Balances | \$ 128,538 | 11,624 | 61,342 | 187,714 | 2,000 | 108,204 | 499,422 |

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS

Supplementary Information

Schedule 2 – Statement of Indebtedness – Primary Government Year Ended June 30, 2020

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|--|----------------|----------------|--------------------------|---------------------------|--------------------|----------------------|---------------------|---------------|-------------------------|
| General Obligation Capital Loan Notes: | | | | | | | | | |
| Street Improvements | April 30, 2012 | 2.0%-2.35% | 600,000 | \$ 600,000 | 0 | 0 | 600,000 | 13,100 | 0 |
| Refunding 2013B | April 30, 2012 | 0.8%-1.80% | 1,460,000 | 210,000 | 0 | 210,000 | 0 | 3,780 | 0 |
| GO Capital Loan Series 2016 | May 25, 2016 | 2.0%-3.0% | 3,300,000 | 2,720,000 | 0 | 200,000 | 2,520,000 | 65,800 | 0 |
| GO Capital Loan Series 2016 | June 10, 2019 | 3.0% | 2,150,000 | 0 | 2,150,000 | 0 | 2,150,000 | 57,513 | 0 |
| Total | | | | \$ 3,530,000 | 2,150,000 | 410,000 | 5,270,000 | 140,193 | 0 |

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS
Supplementary Information

Schedule 3 – Note Maturities - Primary Government
Year Ended June 30, 2020

| General Obligation Notes | | | | | | | | | |
|----------------------------|-----------------------|--------------|---------|------------------------|------------|-------|----------------------------|--------------|--------------|
| Year Ending June 30, | Capital Projects | | | Street Improvements | | | Capital Projects/Refunding | | |
| | Issued April 30, 2012 | | | Issued April 30, 2012 | | | Issued May 25, 2016 | | |
| | Interest Rates | Amounts | | Interest Rates | Amounts | | Interest Rates | Amounts | Totals |
| 2021 | - | \$ 0 | 0 | 2.00% | \$ 200,000 | 2.00% | 2.00% | \$ 205,000 | \$ 405,000 |
| 2022 | - | 0 | 0 | 2.20% | 200,000 | 2.00% | 2.00% | 210,000 | 410,000 |
| 2023 | - | 0 | 0 | 2.35% | 200,000 | 2.00% | 2.00% | 210,000 | 410,000 |
| 2024 | 3.00% | 190,000 | 190,000 | - | 0 | 2.50% | 2.50% | 215,000 | 405,000 |
| 2025 | 3.00% | 195,000 | 195,000 | - | 0 | 2.50% | 2.50% | 220,000 | 415,000 |
| 2026 | 3.00% | 200,000 | 200,000 | - | 0 | 2.50% | 2.50% | 230,000 | 430,000 |
| 2027 | 3.00% | 205,000 | 205,000 | - | 0 | 2.50% | 2.50% | 235,000 | 440,000 |
| 2028 | 3.00% | 210,000 | 210,000 | - | 0 | 2.50% | 2.50% | 240,000 | 450,000 |
| 2029 | 3.00% | 215,000 | 215,000 | - | 0 | 2.50% | 2.50% | 245,000 | 460,000 |
| 2030 | 3.00% | 225,000 | 225,000 | - | 0 | 2.75% | 2.75% | 250,000 | 475,000 |
| 2031 | 3.00% | 230,000 | 230,000 | - | 0 | 3.00% | 3.00% | 260,000 | 490,000 |
| 2032 | 3.00% | 235,000 | 235,000 | - | 0 | - | - | 0 | 235,000 |
| 2033 | 3.00% | 245,000 | 245,000 | - | 0 | - | - | 0 | 245,000 |
| | | \$ 2,150,000 | | | \$ 600,000 | | | \$ 2,520,000 | \$ 5,270,000 |

See Accompanying Independent Auditor's Report.

CITY OF ROCK RAPIDS
Supplementary Information

Schedule 4 – Source of Receipts by:
Source and Disbursements by Function – All Governmental Funds
Primary Government
For the Last Ten Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Receipts: | | | | | | | | | | |
| Property Tax | \$ 1,381,840 | 1,388,247 | 1,359,375 | 1,322,817 | 1,351,588 | 1,341,975 | 1,326,905 | 1,311,656 | 1,309,787 | 1,320,420 |
| Tax Increment Financing | 263,843 | 237,725 | 187,289 | 183,523 | 166,572 | 221,818 | 202,783 | 177,727 | 175,765 | 177,782 |
| Other City Tax | 291,874 | 281,907 | 264,221 | 315,367 | 275,899 | 261,683 | 231,474 | 247,931 | 289,763 | 187,085 |
| Licenses and Permits | 14,254 | 12,001 | 18,091 | 11,924 | 13,426 | 15,747 | 9,916 | 11,522 | 9,289 | 8,594 |
| Use of Money and Property | 91,544 | 95,209 | 63,949 | 54,998 | 43,722 | 51,077 | 52,119 | 54,016 | 57,214 | 50,243 |
| Intergovernmental | 1,705,971 | 1,401,712 | 1,172,320 | 3,338,644 | 1,905,502 | 996,993 | 711,805 | 490,061 | 403,588 | 546,418 |
| Charges for Service | 321,938 | 337,511 | 349,787 | 346,653 | 349,834 | 376,886 | 379,775 | 379,372 | 370,245 | 329,933 |
| Special Assessments | 178,593 | 17,911 | 18,298 | 23,753 | 36,285 | 34,078 | 42,188 | 53,711 | 62,424 | 118,360 |
| Miscellaneous | 218,374 | 223,589 | 253,665 | 367,992 | 164,241 | 125,928 | 219,411 | 299,555 | 340,810 | 228,918 |
| Total Receipts | 4,468,231 | 3,995,812 | 3,686,995 | 5,965,671 | 4,307,069 | 3,426,185 | 3,176,376 | 3,025,551 | 3,018,885 | 2,967,753 |
| Disbursements: | | | | | | | | | | |
| Operating: | | | | | | | | | | |
| Public Safety | 326,083 | 389,791 | \$ 389,181 | 389,523 | 345,491 | 323,681 | 251,674 | 295,308 | 306,675 | 329,798 |
| Public Works | 749,054 | 655,335 | 622,186 | 1,021,080 | 865,811 | 1,140,202 | 643,949 | 644,923 | 638,716 | 665,723 |
| Health and Social Services | 11,365 | 11,365 | 11,365 | 11,035 | 10,712 | 10,400 | 35 | 914 | 1,603 | 0 |
| Culture and Recreation | 615,478 | 586,052 | 588,046 | 570,691 | 630,412 | 482,165 | 630,157 | 588,182 | 543,510 | 507,794 |
| Community and Economic Development | 666,532 | 574,947 | 426,175 | 646,657 | 1,019,735 | 583,699 | 442,612 | 466,778 | 404,324 | 372,628 |
| General Government | 253,862 | 219,690 | 238,932 | 225,323 | 239,203 | 203,296 | 183,048 | 202,078 | 188,599 | 192,748 |
| Debt Service | 552,993 | 543,160 | 550,630 | 548,970 | 477,123 | 451,330 | 513,743 | 587,801 | 618,485 | 563,290 |
| Capital Projects | 2,696,763 | 1,545,713 | 783,517 | 2,095,227 | 2,388,491 | 333,120 | 188,463 | 380,369 | 482,214 | 690,595 |
| Total Disbursements | \$ 5,872,130 | 4,526,053 | 3,610,032 | 5,508,506 | 5,976,978 | 3,527,893 | 3,166,353 | 3,184,126 | 3,322,576 | 4,312,932 |

See Accompanying Independent Auditor's Report.

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statement Performed in Accordance with
Government Auditing Standards
City of Rock Rapids



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rock Rapids, Iowa, as of and for the fiscal year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic primary government financial statements, and have issued our report thereon dated February 22, 2021. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursement, a basis of accounting other than U.S. generally accepted accounting principles. However, the financial statements referred to above include only the primary government of the City of Rock Rapids, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles prepared on the basis of accounting described in Note 1 require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Rock Rapids, Iowa, as of June 30, 2020, and the changes in cash basis financial position for the fiscal year then ended in conformity with the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the primary government financial statements, we considered the City of Rock Rapids' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the primary government financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rock Rapids' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rock Rapids' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 20-A and C to be material weaknesses.

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A significant deficiency is a deficiency or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 20-B and D to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Rapids' primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the fiscal year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the primary government financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Rock Rapids' Responses to Findings

The City of Rock Rapids' responses to the findings identified in our audit are described in the accompanying Schedule of Finding and Questioned Costs. The City of Rock Rapids' responses were not subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not or provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Rapids during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble, Austin & Company PC

De Noble, Austin & Company PC
Certified Public Accountants

February 22, 2021

CITY OF ROCK RAPIDS

Schedule of Findings and Questioned Costs

Schedule of Findings

Year Ended June 30, 2020

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-20-A Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – The City has two employees who are involved in the financial accounting procedures of the City. Generally, one or both of these individuals may have control over areas which no compensating controls exist, including performing all record-keeping and reconciling functions for the office, including cash receipts collection, making bank deposits, check preparation and signing, recording of journal entries, payroll processing, and posting of cash receipts and cash disbursements in the accounting system.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, periodically examine investments, review invoices, and review the financial records.

Response – We will continue to investigate the options we have within economic constraints in order to segregate duties to the extent possible with existing personnel of the City and the Municipal Utilities.

Conclusion – Response accepted. It is important that you continue to attempt to implement these recommendations.

I-20-B Records of Accounts

Criteria – Chapter 384.20 of the Code of Iowa states in part that “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

Condition – The Library Board maintains the accounting records pertaining to the operations of the Library. These transactions are not recorded in complete detail in the Clerk's records (only the totals for the fiscal year are entered in the Clerk's records).

Cause – The Library Board maintains the accounting records pertaining to the operations of the Library.

Effect – The financial activity of the City's operations as a whole is not accumulated within one financial database.

Recommendation – For better accountability, financial and budgetary control, all financial activity of all City accounts should be recorded in the Clerk's records.

Response – The financial activity and balances of the Library are subjected to annual audit and are handled by responsible individuals. No irregularities and only minor errors have ever been detected. If the Library Board has an individual who is willing and able to provide her services for no additional remuneration, the City Clerk will continue to review the Library Board's reports that are provided on a monthly basis as a form of control and enter the fiscal year totals in the Clerk's records.

Conclusion – Response acknowledged. The City of Rock Rapids is aware of our recommendation.

I-20-C Insurance Policy

Criteria – "Hangerkeepers coverage" is a separate insurance policy that covers an aircraft that is being serviced or repaired by the airport's lessee, as this is not covered by the general liability policy.

Condition – The City has received a recommendation from its insurance provider to require "hangarkeepers coverage" in the airport's fixed base operator lease. At present time, there is no such coverage maintained by the lessee.

Cause – Due to the high cost of such policies, the City has been working with its insurance carrier to assess the potential liability before requiring the coverage.

Effect – Lack of "hangarkeepers coverage" could expose the City to significant liability in the event of a disaster or damage to an aircraft not covered by the general liability policy.

Recommendation – The City should review the lease and be sure that it is current and complied with. They should consider the need to require an adequate amount of "hangarkeepers coverage" in its airport operator lease.

Response – The City is working with the insurance carrier and the airport commission to be sure the issue is addressed.

Conclusion – Response accepted. Please make sure your City Attorney and insurance agent are in agreement that the City has adequate coverage based on the risk the City is willing to accept.

I-20-D Payroll Procedures

Criteria – Properly designed and implemented policies and procedures pertaining to payroll functions assist in providing reasonable assurance payroll information is complete and accurate. A deficiency in internal control over financial reporting exists when the policies and procedures set forth in the employee handbook are not being properly executed and enforced without written approval in the Board minutes.

Condition – Several issues were noted related to payroll policies and procedures not correctly being followed, including the following:

- an instance where an employee called out on a holiday was not paid in accordance with Union Agreement;
- several time cards/time sheets were not approved;
- part-time summer employee rates were not formally approved by the Council

Cause – The City lacks controls to ensure that payroll policies and requirements were properly implemented and complied with.

Effect – When payroll related policies and procedures are not properly executed, there is an increased probability of over/under payment of payroll expenses, as well as an increased risk that other payroll errors or fraudulent behaviors go undetected.

Recommendation – Timesheets should be prepared and signed to attest to the accuracy of each timesheet. Procedures need to be established to ensure employees are paid rates which agree with the Union Agreement. All wages and pay rates should be formally approved by the Council.

Response – The City will evaluate its payroll procedures in an effort to implement the issues identified.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Other Findings Related to Required Statutory Reporting:

II-20-A Certified Budget – Disbursements during the year ended June 30, 2019, did not exceed the amount budgeted for any function.

II-20-B Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-20-C Business Transactions – No business transactions between the City and City officials or employees. are detailed as follows:

II-20-D Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-20-E City Council/Library Board Minutes – In accordance with Chapter 372.13 of the Code of Iowa, the City must annually publish gross salaries for all employees. The City did timely publish a listing of salaries; however, there was an error in the total amount reported.

Recommendation – The City should adopt procedures to ensure accuracy of the salaries listing prior to publication.

Response – We have republished a correct listing of gross salaries for fiscal year 2020. We will implement procedures to ensure future publications are properly reported.

Conclusion - Response accepted

II-20-F Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s written investment policy were noted.

II-20-G Annual Urban Renewal Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-20-H IPERS Withholding – According to the IPERS employer handbook, an employee who earns over \$1,000 in two consecutive quarters is then eligible to have IPERS withheld and paid. There was one employee who met the requirement but no IPERS was withheld or paid. This error had been noted during the year directly by IPERS and the correct payments were subsequently paid. This change in the employee withholdings for IPERS would additionally affect the federal amounts reported on the Form 941; however, an amended Form 941 was not prepared.

Recommendation – The City should adopt procedures to ensure payroll withholdings are properly withheld and reported.

Response – We have submitted an amended Form 941 for the changes.

Conclusion - Response accepted.

CITY OF ROCK RAPIDS

Staff

This Audit was Performed By:

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